NEW LANDING UTILITY, INC.

Direct Testimony of
GENE L. ARMSTRONG
(September 20, 2004)
In Support of Request for General Increase
in the Rates for Water and Sewer Services

Q 1: What is your name and address?

Ans. Gene L. Armstrong. My office address is 1111 South Blvd., Oak Park, Illinois 60302

Q 2: What is your relationship to New Landing Utility, Inc. ("NLU")?

Ans. I am President of NLU. I have been President since June, 1984.

Q 3: What is NLU?

Ans. NLU is an Illinois corporation. It holds a Certificate of Public Convenience and Necessity to provide water and sewer services in a service territory located in Taylor Township, Ogle County, Illinois. It has been providing water and sewer services in its certificated service territory since the effective date of its initial rates, rules, regulations and conditions of service: February 15, 1980.

Q 4: What is DAME Co.?

Ans. DAME Co. is an Illinois corporation. It holds all of the stock issued by NLU.

Q 5: What is your relationship to DAME Co.?

Ans. I am President of DAME Co. I hold all of the stock issued by DAME Co.

Q 6: Are you employed by NLU?

Ans. No. NLU has no employees. The people who provide management and operations services for NLU are independent contractors.

Q 7: Does NLU pay you for your services as President?

Ans. No.

Q 8: By whom are you employed?

Ans. I am employed by my law firm: Gene L. Armstrong & Associates. P.C. I am President. I am the majority shareholder.

Q 9: Are you engaged in the practice of law?

Ans. Yes. Since 1967, I have been licensed to practice law in the State of Illinois. My law firm concentrates in civil litigation at all levels and in all courts in Illinois. In addition to litigation, my practice encompasses Illinois public utility law, water and sewer, and local zoning law.

Q 10: What part of your time at the law firm is devoted to the different aspects of your practice?

Ans. As to the time committed to practice of law, typically, approximately ninety percent of my time would be devoted to litigation. The remaining ten percent would be devoted to utility law, primarily NLU, or municipal law, primarily local zoning cases.

Q 11: Why do you say "typically?"

Ans. The last three years have not been typical in this respect. I have devoted substantially more of my law practice time to public utility law. The most significant factor is the lawsuits the Illinois EPA filed against NLU. My work on those cases has been civil litigation, but civil litigation related to public utility law. In addition, for the past year or so, I have devoted more time to the legal issues that pertain to NLU's efforts to obtain a rate increase. By contrast, my work as President of NLU is separate and apart from the time my law firm (through me) has devoted to the legal issues that pertain to NLU's effort to secure rate relief.

Q 12: What is your educational background?

Ans. I attended the University of Wisconsin in Madison. I received a Bachelor of Science degree in 1963, and a Masters of Science degree in 1964. My major was economics. In 1964, I entered law school at Stanford University, Palo Alto, California. I received an LL.B. in 1967.

Q 13: How long have you worked in Illinois public utility law?

Ans. More than thirty years.

Q 14: What is the scope of that work?

Ans. I worked on Commerce Commission cases for Commonwealth Edison. I also worked on

Commerce Commission matters for many different water or water and sewer utilities. The work covered the wide range of requests for Commission approval or relief, including rate relief, approval of agreements with affiliated interests, requests for certificates of public convenience and necessity, approval of financial structures, authority to issues securities, determinations of original cost of plant facilities.

Q 15: What is CAM Properties?

Ans. CAM Properties is an Illinois partnership. CAM owns the building at 1111-1113 South Blvd., Oak Park, Illinois. I am the majority partner. My law firm rents office space in that building, In recent years, NLU has rented space in the building, and presently rents a small office on the second floor.

Q 16: Can you describe your work as President of NLU?

Ans. Yes. As President of NLU, I am involved in all aspects of the business side of NLU. I am not involved in the operation of the water system or the sewer system. One must be certified by the Illinois EPA to be the operator of those systems. I am not certified. NLU retains the services of certified operators for its water facilities and for its sewer facilities. As President of NLU, I make arrangements for those certified operators to provide services to NLU.

Q 17: Does DAME Co. provide services to NLU?

Ans. Some. The Management Services Agreement that was approved by the Commerce Commission provides that, to the extent practical, services needed by NLU should be obtained under contracts between NLU and the service provider. There are management services that DAME Co. provides, through me, that are in addition to the services NLU obtains under the agreements it has with independent contractors. Most of these services fall into the category of policy and planning assistance and advice. Again, to the extent such services are being provided, I am the person who is involved. I am not paid by DAME Co. for any services I provide to DAME Co., or to NLU through DAME Co.

Q 18: Can you describe the business of NLU?

Ans. Yes. NLU provides metered water service to approximately 310 residential customers. About half of these customers reside in the New Landing for the Delta Queen Subdivision ("New Landing") and almost all of the rest reside in the Lost Nation Lake Subdivision ("Lost Nation"). We also serve homes constructed in Lakewood Greens, Knollwood and Flagg Estates. These areas were subdivided more recently. At this time, there are fewer than twenty homes, total, in these areas. Most of the residences we serve are year-round homes, but some are recreation homes and are occupied only part of the time.

NLU provides sewer service to approximately 160 residential customers. Generally speaking, the water service customers in Lost Nation are not sewer service customers.

NLU also serves approximately 690 availability charge customers. These customers own vacant lots in New Landing. NLU charges a monthly rate for the availability of water service and a monthly rate for the availability of sewer service.

At this time, NLU serves no commercial, institutional or industrial customers. This seems unlikely to change in the foreseeable future.

Q 19: What is the purpose of your testimony in this case?

Ans. My purpose is to explain to the Commission why NLU has requested a general increase in its rates for services, and why it asks the Commission to establish the new rates and the new rules, regulations and conditions of service set forth in the schedules NLU filed on March 11, 2004. I will compare the proposed rates to the present rates. I will describe the new rates that NLU requests and explain why NLU asks the Commission to approve the new rates. I will discuss the factors that I believe should be considered in respect to the rates and revenue requirements for NLU. In this respect, I will discuss financial conditions and circumstances, rate structures, rates of return, plans to renovate or replace plant facilities and other relevant factors. I will also describe and explain the exhibits I prepared.

Q 20: Can you describe NLU's present rate structures?

Ans. The presently-effective rates, rules, regulations and conditions of service were established by the Commerce Commission in 1980. They are the original rates for NLU. They became effective on February 15, 1980. The current filing is the first request that NLU's rates be increased or its rules changed. We have operated under the initial rate schedules for twenty three years.

Q 21: How do the proposed rates compare to the present rates?

Ans. A more detailed comparison is set forth in NLU Exhibit PN. I prepared Exhibit PN. It is comprised of three documents. A copy of the public notice NLU published in the Sauk Valley Newspaper to inform people of the filing of this request for a general rate increase; a copy of the certificate of publication, and a copy of the Public Notice NLU posted at conspicuous locations in its service territory and at its office in Oak Park, Illinois. In summary form, the comparison of the present and the proposed rates, as **monthly charges** for customers served by 5/8-inch meters is as follows.

Type of Service	Present Monthly Charge	Proposed Monthly Charge
Metered Water Service		
Minimum Bill	$10.00	$30.00
Use charges (per 1,000 gals)		
Present rates:		
First 20,000 gals	$ 1.70	
Next 100,000 gals.	$ 1.50	
All over 120,000 gals	$ 1.30	
Proposed rates:		
First 9,000 gals		$ 3.40
Next 11,000 gals		$ 3.20
All over 20,000 gals		$ 3.00
Outside Meter Reading Device	$ 0.33	none
Metered Sewer Service		
Multiple of metered water bill	1.2 times	1.2 times
Minimum Bill	$12.00	$36.00
Availability of Water Service	$ 4.50	$13.50
Availability of Sewer Service	$ 4.50	$13.50

I believe all of our customers are served by 5/8-inch meters. I expect NLU will convert from quarterly to monthly billing.

Q 22: Why does NLU seek rate relief at this time?

Ans. There are several reasons:

First: NLU has relied on the same rates for more than twenty three years. Our rates no longer generate revenue sufficient to pay our suppliers on a timely basis. This is true without consideration of the extraordinary litigation expenses we have incurred, a matter that I discuss in more detail, below. NLU relies on its suppliers for chemicals, lab testing services, repair services, installation services, and many other operational needs. It is increasingly difficult to keep current with payments to the suppliers. They have been patient with us, but we cannot plan to operate on the basis of the "kindness of strangers." We must be able to pay our bills. The substantial increase in our accounts payable account is due only in part to the past-due legal fees we have incurred. NLU also owes those who provide repair and installation services and provide other goods and services it needs to conduct day-to-day operations and pay its other obligations.

Second: We must renovate or replace major plant facilities.

Water Storage Tower: Our water storage tower must be either renovated or replaced. It has not been painted in at least thirty years. Recently, it has been inspected by two competent, independent professionals: Utility Services Company in 2002 and Dixon Engineering in 2004. While the storage tower needs extensive work, the inspectors have declared it to be in good condition, all things considered. We are assured that we do not yet face an emergency, but we are advised to set a plan of action as soon as practicable. The storage tower can be renovated and provide years of service. However, it may be wiser to replace this tower with one of a more modern design, or with a standpipe rather than an elevated storage tank. The proposal to renovate the tower is submitted as NLU Exhibit WTC. We have one comparison of the cost to replace rather than renovate the tower. We await additional proposals. In any event, however, it is certain that the cost to renovate or replace the water tower will be no less than $250,000 - $300,000. We must proceed as soon as possible, but we cannot proceed unless we have new rates that justify a belief that we will receive revenue sufficient to pay for the work. Our present financial circumstances make it impossible to proceed.

Sewage Treatment Plant: This is the other pressing renovation project. The plant is more than thirty years old. We have been advised that the aeration systems should be replaced, that the backup generator should be replaced and that it may be necessary to install additional treatment systems. We are exploring alternative treatment technologies. We are asking for proposals. However, we lack the resources to commission an engineering study as to the preferred approach to renovation of the sewerage treatment plant. We know it must be done, and we know that we should proceed as quickly as we can. We expect the cost will be no less than $250,000 - $300,000. Again, however, until we know that we can count on rate revenue sufficient to pay for the work, it is impossible to proceed even with an engineering study which would be preliminary to any decision as to renovation work NLU would undertake to perform.

Third: We need funds to pay the costs we have incurred, and will incur, to defend against lawsuits filed by the Illinois EPA. There are already two such suits on file. I have reason to expect a third suit will be filed as to renovation of the sewer plant (discussed below). The costs to defend are staggering, to say the least. Based on my analysis of the reasons for these suits, I believe these costs are unavoidable. I wish to share my views regarding these lawsuits.

People ex rel Illinois EPA v New Landing Utility, Inc., et al No 00 CH 97. This suit is still pending. The trial concluded at the end of January, 2004. The parties agreed to submit written summations. All written summations were filed by May 25, 2004. The Judge has taken the matter under advisement and will announce his decision at a later date. It seems unlikely that a decision will be announced before mid-June, at the earliest.

There are fifteen separate counts in this suit. After the decision is announced, there is a likelihood that one or more of the parties may move for reconsideration or clarification of the decision. The resolution of motions to reconsider could take several weeks. In my view, there is a likelihood that one or more of the parties will appeal at least some part of the decision, regardless of how motions to reconsider or clarify are resolved. Appeals would take several months, probably more than a year. The costs to prepare and try the case, and to prepare the written summation, have already been incurred. Additional cost will be incurred in respect to motions to reconsider or clarify the decision, or in respect to any appeal from the decision. Before the case is finally resolved, legal fees are almost certain to exceed $250,000. Because this is a pending case, I will limit my comment to one observation: For several years NLU has been willing to do everything the EPA asked in this case. Settlement was never possible, however, because the EPA always insisted that, in addition to the undertakings that are the subject of this case, NLU was legally obligated to replace the old, problematic water lines that were installed in the south half of Lost Nation before NLU was incorporated. NLU never agreed that it was obligated to replace the old water lines in the south half of Lost Nation. For a more complete understanding of NLU's position in respect to each of the fifteen counts in this case, the Written Summation submitted by NLU (and the exhibits and transcripts NLU cited) is filed in this case as NLU Exhibit WS-1 and Exhibit WS-2. These are public documents that could be obtained from the court by anyone sufficiently curious to review the case file. I also wish to state that NLU has sent copies of its Written Summation (but not the exhibits and transcripts) to all of its customers.

People ex rel Illinois EPA v New Landing Utility, Inc., at al No 04 CH 20. This suit is also still pending. Its history is as follows: On Sunday, February 1, 2004. NLU discovered a small leak (about the size of a pencil) in the water storage tower. NLU immediately made arrangements for proper repair. On Tuesday, February 3, 2004, attorneys for the EPA, having been informed about the leak by NLU's certified water operator, demanded that NLU agree to the entry of a consent order in the case described, above. NLU, having already made all necessary arrangements for repair of the leak and refused to accede to the EPA's demand. On Wednesday, February 4, 2004, this suit was filed. The EPA sought an emergency injunction at a hearing scheduled for the morning of Thursday, February 5, 2004. The Court, being advised that repairs were in process at that very moment, continued the matter to the following Tuesday, February 10, 2004. At that time, the Court, being assured that repairs had been successfully completed on Thursday, February 5, 2004, and that the EPA had cleared the NLU water system for normal operation on Saturday, February 7, 2004, refused the EPA's request for an emergency injunction. It appeared that all matters were resolved except for the EPA's demand that NLU obtain an inspection of the storage tower. In the hope that litigation costs could be avoided, NLU agreed to arrange for an inspection. The Inspection Report was shared with the EPA. NLU's effort to avoid litigation costs failed; the EPA persisted in its effort to obtain the preliminary injunction. At that point, two parts of the requested relief were unresolved: (1) The EPA's demand that the engineer certify that the water tower was safe for operation at full capacity, and (2) the EPA's demand that Gene Armstrong deliver two gallons of drinking water to each customer each day any boil order might be in effect. (The boil order issued on February 5, the date the repair was made, was lifted, on February 7, the date the EPA accepted as satisfactory the water sampling results submitted by NLU.) A hearing on the EPA's motion for a preliminary injunction was held on May 10, 2004. At that time, NLU presented a certificate of the professional engineer who signed the Report which confirmed that the tower could be operated "at full capacity." Thus, the only unresolved issues was the EPA's demand that Gene Armstrong personally deliver drinking water to NLU's customers. Still, the EPA persisted. Thus, a hearing was held on the EPA's request for a preliminary injunction. (The engineer who signed the report and the certificate also testified to this fact at the court hearing.) At the close of the hearing, the court refused to issue a preliminary injunction. By agreement of the parties, this case was continued to June 7, 2004. At that time, the EPA expects to be in a better position to determine what course of action it will follow in respect to this case. The legal fees incurred to date are approximately $15,000. The consulting engineer's charge for the inspection and report, and for appearing as a witness on May 10, 2004, are likely to be in the range of $5,000. At this date, it is not possible to anticipate what additional litigation costs and fees may be incurred.

EPA v. NLU - Sewer Plant Case. Comments by counsel for the EPA give NLU reason to believe that the EPA may file suit to request a court order that would compel renovation of the sewer plant (at least to the extent described above). At this point, it is difficult to predict what litigation costs and fees would be incurred to defend against such a suit. It is possible to say, however, that if the EPA insists upon the form of onerous "consent judgment" that it has insisted upon as a condition of settlement in the prior cases, resolution by settlement will be impossible. As such, significant legal fees and litigation costs would be incurred.

<u>Fourth</u>: NLU needs funds to pay debts previously approved and authorized by the Commission. These obligations arise from the Order the Commission entered in ICC Docket 79-0675. The present rates have never generated enough revenue to enable NLU to pay these obligations. As such, these obligations have been accrued and are still owing. Three of these obligations are reflected on the financial exhibits I have prepared.

The Mortgage Note - Principal. The Commission authorized NLU to issue its Mortgage Note in the principal amount of $170,534. Semi-annual installments due were never paid. Instead, they were accrued. As the balance due recorded for the Mortgage Note decreased, the amount due as Accounts Payable to Associated Companies increased by like amount. As such, the entire principal amount due remains unpaid

The Mortgage Note - Interest:. For the same reason, substantially all of the interest that became due on the Mortgage Note was not paid. Instead, it was accrued. As of December 31, 2003, this accrued interest due totaled $430,273.

The Letter Agreement. The Commission authorized NLU to enter into and perform a Letter Agreement which obligated NLU to pay $2,000 for each home attached to the system during the period ending January 1, 1991. The total due was accrued for the reason that rate revenues were never sufficient to permit payment to the creditor. The total due under the Letter Agreement is $248,000. The balance of the $300,000 limit of the Letter Agreement ($52,000) is recorded in Account 252: Advances for Construction. It is no longer subject to repayment.

Fifth: We need rates that give NLU some hope that it will have at least the opportunity to earn a reasonable rate of return on its rate base - the value of the property it has committed to provide water and sewer utility services.

Q 23: Did you prepare the schedules that NLU filed with the Commission in March, 2004?

Ans. Yes.

Q 24: Can you describe the important changes reflected in the proposed rates?

Ans. Under the proposed rates:

The minimum bill metered services, water and sewer, will triple. In the rate bracket that will apply to our present customers, the use charge per 1,000 gallons will double. We would expect that the bill to an average customer will triple. We would expect that most metered customers would be charged the minimum bill.

The charges for availability of services, water and sewer, will triple.

The charge for an outside meter reading device will be eliminated.

Q 25: NLU seeks permission to impose a surcharge on certain customers. Can you explain the reason for the surcharge?

Ans. Yes.

NLU seeks permission to add a surcharge to the water bills rendered to customers who receive water through a main that was not installed by or for NLU. The proposed surcharge is $7.50 per month. We believe 88 customers will be subject to the surcharge. All live in the south half of Lost Nation. The addresses of these customers are listed on NLU Exhibit SMRC. I prepared NLU Exhibit SMRC. They all receive water service through the old, problematic water lines that were installed in the south half of Lost Nation before NLU was incorporated. NLU incurs substantial and continuing costs to repair these lines. The line breaks in this area are far more frequent that in any other part of the NLU water distribution system. The cost to serve in this area is comparatively high. The surcharge is intended to recognize this difference in the "cost to serve." It is expected to produce revenues that will be sufficient to pay for the frequent repairs, and to recoup, over time, a portion of the additional costs to serve this area that have been incurred over the past twenty three years. The surcharge is projected to produce $660.00 per month ($7,920 per year). This rate revenue is reflected in the financial exhibits I prepared.

Q 26: NLU seeks permission to impose a main replacement charge on certain customers. Can you explain the reason for the main replacement charge?

Ans. Yes.

NLU seeks permission to add a main replacement charge to the water bills rendered to customers who are subject to the surcharge. Again, these are the customers who receive water through a main that was not installed by or for NLU. The proposed main replacement charge is $75.00 per month. We believe 88 customers will be subject to the main replacement charge. All live in the south half of Lost Nation. Again, the addresses of these customers are listed on NLU Exhibit SMRC. They all receive water service through the old, problematic water lines that were installed in the south half of Lost Nation before NLU was incorporated. Customers who receive water through these lines experience a range of service problems. Generally speaking, the service problems in this area do not occur in any other part of our water distribution system. NLU has long believed that replacement of these lines is the only way to resolve the service problems that plague this area. We know of no one who disagrees. For years, the EPA insisted that it could compel NLU to replace these lines - but now acknowledges that, legally, it was never able to compel NLU, or anyone else, to replace these lines. For years, representatives of the Lost Nation Property Owners' Association have tried to convince NLU to replace these problematic lines - with money mostly generated by bills NLU would collect from its customers in New Landing. For years, the customers in New Landing have objected to any plan by which they, in effect, "pay for" replacement of the old Lost Nation water lines. We propose the main replacement charge as a method NLU can use to achieve the result: replace these old lines. Receipts generated by the main replacement charge would be deposited to a restricted account to insure that these funds could only be used to replace these old lines. NLU is willing to select a representative from those subject to the charge to oversee the fund and to verify that receipts are accurately accounted for and deposited to the restricted fund. When the amount in the restricted account is sufficient to pay for the cost to replace these old lines, NLU will arrange for the work to be accomplished. When the new distribution mains are in place, we would expect that customers served by the old lines would be required to connect to mains that were "installed by or for the Company." When those connections are complete, no customer would be subject to either the surcharge, or, thereby, to the main replacement charge. Both the surcharge and the main replacement charge would, by their terms, cease. The main replacement charge is projected to produce $79,200 per year.

This rate revenue is reflected in the financial exhibits I prepared. It is also subtracted from net income, as it will not be available to NLU for payment of any obligation. It will be deposited to the restricted account.

Q 27: Why not simply rely on the Commerce Commission Uniform Main Extension Rule as the mechanism to replace the old lines in the south half of Lost Nation?

Ans. This is the obvious solution. It has been used in all other parts of Lost Nation. But it has been the obvious solution for more than twenty-three years. Nothing has happened in the south half of Lost Nation. The existence and continuing use of these old lines is the underlying reason why NLU has been unable to settle the claims asserted by the Illinois EPA. As a consequence, NLU has incurred $250,000 in litigation expenses. This is in addition to the costs to deal with the EPA's demands during the decade before the EPA filed suit in December, 2000. (The one factor that made all of these costs necessary was the EPA's continuing claim that it could compel NLU to replace the problematic water lines in the south half of Lost Nation - a claim it now acknowledges is simply not true.) It is our perception that no one has been willing to pursue other possible solutions. Therefore, NLU proposes this solution: Impose the main replacement charge and use the funds to solve this problem.

Q 28: NLU asks the Commission to establish a new rate: Rate 3 - a charge for the availability of service to a side yard lot. What is a "side yard lot" and how would Rate 3 apply?

Ans. This is explained in Paragraph 2. N. of the Definitions. It appears on Original Page 6 of proposed I.C.C. No. 5: The proposed Rules, Regulations and Conditions of Service for Water. Rate 3 pertains to customers who own lots subject to the availability charges. Experience shows that many of these customers own two or more adjacent lots, each subject to the availability charge. Some have constructed homes that extend across two lots. Others own an adjoining lot in order to preserve a desired open space - they never intend for a home to be constructed on the "side yard" next to their house. They have, in a real sense, created one lot out of two lots. Many of these customers have asked NLU to treat their two lots as one lot. Rate 3 is intended to accommodate this situation in a way that provides some relief for these customers yet preserves a part of the stream of revenue that makes it possible for these types of developments to exist. It is important to note that no metered customer may qualify more than one lot as a side yard lot. Where the metered service customer owns lots on both sides, all except the one designated as the side yard will still be subject to the regular availability charge rate. At this time, there are 80 customers who would pay Rate 3, the side yard rate. This anticipated revenue is reflected in the NLU financial exhibits.

Q 29: Does NLU also seek to change its reconnection charge?

Ans. Yes, we ask that the charge be increased to $20.00. However, I wish to point out that we have never had to disconnect a customer for any of the reasons where this charge would apply. No revenue related to this charge is included in the financial exhibits I prepared.

Q 30: Does NLU also seek to charge customers whose payment checks are dishonored?

Ans. Yes, we propose an NSF check charge of $10.00. Again, I wish to point out that we almost never encounter problems with NSF checks. No revenue related to this charge is included in the financial exhibits I prepared.

Q 31: Are the Rules, Regulations and Conditions of Service proposed by NLU based on those suggested by the Commerce Commission staff?

Ans. Yes, and this is true for both water service and for sewer service. There are, however, a few differences. I have already explained the additional definition of a side yard lots. Most of the other changes would fall into the category of wording preferences.

I do want to highlight the proposed rule that allows the Company to recover attorneys fees if it must file suit against a customer who refuses to pay the amounts due under the rates for service or persists in a violation of the rules. This appears as Rule 22.E in the rules for water service (Original Sheet No. 30 in Ill.C.C. No. 5 and Rule IV.F. in the rules for sewer service (Original Sheet No. 10 in Ill.C.C. No. 6). This right to recover attorneys fees is very important. Without this right, the economics of a collection suit will continue to be very difficult, to say the least. Contingent fees are problematic in light of the relatively small amounts claimed due. Customers who are true "dead beats" or who have an incentive to avoid payment, and are experienced in ways to avoid payment (those who purchase lots for speculation, for example), exploit this reality. When such customers realize that the court has the authority to shift to them the legal fees NLU must incur to pursue collection, this opportunity to exploit the situation is greatly diminished. NLU feels that the cost to collect should be borne by those who refuse to pay rather than spread to the other customers who keep current on their bills. This rule will help NLU address this problem.

Q 32: What financial exhibits have you prepared?

Ans. I prepared the following financial exhibits:

NLU Exhibit CBS: Comparative Balance Sheet: 2000-2003
NLU Exhibit ISA - 1: Income Statement Analysis, Actual: 2001-2003
NLU Exhibit ISA - 2: Income Statement Analysis, Pro Forma 2004-2012
NLU Exhibit CRB: Comparative Rate Base Analysis

Q 33: Will you describe NLU Exhibit CBS?

Ans. NLU Exhibit CBS shows the balance sheet data for NLU for the years 2000, 2001, 2002 and 2003. The data is taken directly from the Annual Reports NLU filed with the Commission. The account numbers on the left are account numbers used in the Annual Report.

Q 34: How is this exhibit significant to this case?

Ans. It is especially significant in that it shows that the accumulated losses in the retained earnings account continue to grow. At December 31, 2003, the accumulated losses totaled $1,285,289. Total equity capital was negative in the amount of $385,289. These losses have accumulated over the past twenty-three years. There has never been a year in which NLU has realized a profit; we have always suffered losses. We need rates that will generate revenue sufficient to reverse more that two decades of losses, and enable NLU to earn a profit.

Q 35: Will you describe NLU Exhibit ISA - 1?

Ans. NLU Exhibit ISA - 1 shows the income statement data for NLU for the years 2001, 2002 and 2003. The data is taken directly from the Annual Report NLU filed with the Commission for each of these years. The account numbers on the left are account numbers used in the Annual Report.

Q 36: How is this exhibit significant to this case?

Ans. NLU Exhibit ISA - 1 shows the losses NLU suffered in each of these years. Review of all the NLU Annual Reports to the Commission would show that the Company has suffered losses in every year since 1980, the first year it was allowed to charge for the water and sewer services it provides. We simply must change this reality. Unless the rates increase to the point where the Company can earn a profit, I don't see how it will be able to continue operations.

Q 37: Will you describe NLU Exhibit ISA - 2?

Q 38: NLU Exhibit ISA - 2 shows the income statement data for NLU for the years 2004 to 2012. The data reflects <u>pro forma</u> results that could be expected assuming the proposed rates are in effect. The account numbers on the left are account numbers used in the Ill.C.C. Uniform System of Accounts and in the Annual Report. The income and expense amounts on this exhibit are, of course, estimates. Water results and sewer results are shown, as are total results.

Q 39: Can you explain the basis for the income estimates?

Ans. Yes. All income estimates are based on the assumption that the proposed rates were in effect during the entire calendar year. Obviously, this will not be true in 2004, but the pro forma results are still informative. The following assumptions were also employed to generate the income estimates:

Unmetered Services (Availability Rates)

I assumed 690 availability charge customers for 2004. This number is reduced by two percent (2%) in each subsequent year. This adjusts for the fact that lot owners in New Landing continue to build homes. When a home is built and connected to the systems, the customer becomes a metered services account and ceases to be an availability charge account. The reduction translates to approximately 14 new homes each year. This would be affected by many economic factors that NLU cannot control, but it seems to me to be a conservative estimate (*i.e.*, it may be higher than what we will actually experience, based on the history of new homes built in recent years.)

Unmetered Services (Side Yard Rate)

I assumed 80 side yard customers in 2004. That is how many side yard situations we presently have. This number is increased by four percent (4%) in each subsequent year. It is not increased by the same percent as the estimate for metered service because we do not expect all new metered customers will build across two lots or own an adjacent lot. Our present experience is that slightly more than half of our metered service customers in New Landing are side yard lot situations. I expect that ratio to continue.

Metered Rates

I calculated the average of metered income reported in the years 2001-2003, multiplied by three and imposed a slight downward adjustment to reflect the assumption that people might try to use less water if rates were higher. Average metered water income for 2001-2003 was $38,476. This average, times three is $115,428. I rounded down to $115,000. Average sewer income for 2001-2003 was $22,259. This average, times three is $66,776. I rounded down to $65,000. These estimates for 2004 were increased by seven percent (7%) in each subsequent year. This translates to about 20 new homes each year. This construction would be expected in all parts of the service territory, not just in New Landing. Again, it seems to me to be a conservative estimate (*i.e.*, it may be higher than what we will actually experience, based on the history of new homes built in recent years.)

Forfeited Discounts (Late charges)

The amount shown for 2004 is slightly higher than three times the average of the prior three years ($70,000 vs. $64,650). I felt this higher estimate was reasonable under the circumstances. As a percentage of total income, the $70,000 is slightly less that the comparable calculations (average) for 2001-2003 (12.5% vs. 13.7%). I used the same estimate ($70,000) in each subsequent year.

Surcharge

These amounts are the annual charge times 88 customers, the number of customers I count as being subject to the surcharge. No adjustments are made to these estimate for successive years.

Main Replacement Charge:

These amounts are the annual charge times 88 customers, the number of customers I count as being subject to the surcharge, and thus the main replacement charge. No adjustments are made to these estimate for successive years.

The receipts from the Main Replacement Charge are not really intended to be revenue NLU can use to pay its bills and obligations. These receipts are to be held in a separate, interest-bearing account. As such, they are not really "income" to NLU. The line "To Line Replacement Reserve" subtracts the Main Replacement Revenue from what would otherwise be counted as income to NLU. The balance is identified as "Adjusted Operating Revenue."

Q 40: Can you explain the basis for the expense estimates and other line items on this exhibit?

Ans. Yes. Certain assumptions were employed to calculate the line items that show the deductions from Operating Revenues to determine Net Income (Loss).

Operation & Maintenance Expenses: Except for the line items described below, all of these expenses were increased in successive years by an annual inflation factor of 3.32%. This is identified as part of the heading of this exhibit. According to the data reported by the U.S. Government in the *Statistical Abstract of the United States: 2003*, (123rd Edition), the Consumer Price Index, Urban, increased at the annual rate of 3.32% during the years 1990-2001.

1. Bad Debt Expense: Bad debt expense is calculated by reference to income estimates. Our bad debt estimates have always been related to particular classes of service. The bad debt expense for unmetered service is assumed to be twenty percent. The bad debt expense for metered service is assumed to be three percent. The changes in bad debt expense in successive years reflect this assumptions, they are not adjusted by the annual inflation factor.

2. Contract Services - Management: This expense is set by the terms of the Management Services Agreement the Commission approved in Ill.C.C. Docket

79-0675. There is no provision for inflation adjustments in that Agreement, and no inflation adjustment has been made to this expense.

3. Contract Services - Legal: The projected legal expenses reflect my estimates of the legal expenses NLU will incur to defend the suits that have been filed, and are expected to be filed, by the Illinois EPA. I anticipate that significant legal expenses will be incurred through 2007. The legal expenses shown for 2008 are, in my view, more typical of the legal expenses other small, independent water and sewer utilities would incur. No legal fees related to this rate case are included in the line items for legal expenses. Rate case expenses are reflected in the line item for amortization, discussed below.

Depreciation: NLU intends to continue to calculate depreciation expense by using the straight line method at an annual rate of 2% This rate is applied to all depreciable property; NLU does not use a class-of-property depreciation methodology. Depreciation expense for our water plant is increased by $5,000 in 2004 and subsequent years to reflect the cost for renovation or replacement of the water storage tower. ($250,000 at 2% straight line depreciation is $5,000/year.) Depreciation expense for our sewer plant is increased by $5,000 in 2005 and subsequent years to reflect the cost for renovation or replacement of the sewerage treatment plant. ($250,000 at 2% straight line depreciation is $5,000/year.)

Amortization: Both water and sewer amortization expense is increased by $5,000 ($10,000, total) in 2005 to reflect amortization of the expenses NLU will incur in this rate case. I project that the costs NLU will incur through entry of the Commission's order in this case will be no less than $60,000. I expect the Commission will direct NLU to spread these rate case costs over several years rather than permit NLU to reflect them as an expenses in the years the costs are actually incurred.

Q 41: Can you explain the line items that appear below the subheading: Other Payments?

Ans. Yes. The first six line items show amounts NLU expects to expend for the purposes described. For example, the costs associated with the renovation or replacement of the water tower are show as the first item under Other Payments: $80,000 in 2004, 2005 and 2006, and then $9,000 in subsequent years. These amounts relate to the proposed contract submitted by Utility Services Company. That proposed contract is NLU Exhibit WTC. Similar entries appear for each of the other five items in this part of the listing. For example, sewer plant renovation: $75,000 in the years 2005 - 2008. Rate revenue must be sufficient to pay all of these items.

Q 42: How is the revenue generated by the Main Replacement Charge accounted for in this exhibit?

Ans. As I explained, the income expected from the Main Replacement Charge is shown as a separate line item in the part of the exhibit that reports income. However, these receipts are not to be used to pay debts and obligations of NLU. The line "To Line Replacement Reserve" subtracts the Main Replacement Revenue from what would otherwise be counted as income to NLU. This amount is then reflected in the line "Balance, Main Replacement Reserve." As you can see, the amount for 2004 is $79,200. The balance in this separate account increases in subsequent years by two factors: Earned interest (at 4.5%) and additional Main Replacement Revenue. Thus, in 2005, the balance is $161,964. This reflects the $79,200 of Main Replacement Charge revenue in 2005, plus interest earned on the balance at January 1, through December 31, 2005 The separate account grows by this process in each successive year.

Q 43: Does this exhibit show any information that relates to rate of return?

Ans. It does. NLU believes its rates should be sufficient to enable it to earn a rate of return of 10.3%. Near the bottom of NLU Exhibit ISA - 2 I calculate the additional revenue that would be required if NLU were to earn a 10.3% rate of return on its original cost rate base. In 2004, the additional revenue requirement is $91,551. In 2005, it is $36,766, in 2006 it is $108,555, and so on through 2010.

Q 44: Does this exhibit show the rate of return NLU would earn under the proposed rates?

Ans. It does. This is shown on the line Rate of Return, pro form (%). It is calculated by dividing Adjusted Net Income(Loss) by original cost rate base. In 2004 the rate of return is negative 6.86%. In 2005, it is 5.40%. In 2006, it is negative 0.56% and so on through 2012. I have also calculated a moving average of the yearly rate of return percentages. This is shown on the line "Average Rate of Return. Thus, in 2005, the average rate of return (2004 + 2005 divided by 2) is negative 0.73%. In 2006 the average becomes negative 0.67% and so on. For the period 2004 through 2012, the average rate of return is 4.79%

Q 45: What do the last four lines on this exhibit show?

Ans. These lines show how Adjusted Net Income (Loss) will be used to pay down the substantial amount carried as Accounts Payable in Current Liabilities on the Balance Sheet at December 31, 2003. At that date, Accounts Payable totaled $207,887. The last three lines show how the Adjusted Net Income (Loss) is applied first to pay down the accounts payable obligation, and second to reduce the accumulated loss reported in the Retained Earnings Account (and thus increase the total equity in the Company). After the first year (2004) accounts payable to associated companies does not increase. Starting in 2005, Accounts Payable is paid down over time until the December 31, 2003-04 balance is paid off in 2010. In 2011, NLU would expect to be able to begin to recoup losses sustained during the years 1980 through 2003. The balance in the retained earnings account at December 31, 2003 was negative $1,285,289. An additional loss is shown for 2004. Thereafter, that account remains unchanged until 2012. On these pro forma assumptions and estimates, it will be 2012 before NLU may be able to begin to recoup the losses it has sustained over the last twenty some years. However, using the data in this exhibit, we can calculated that at January 1, 2013, the retained earnings account will still be negative $1,089,075. In short, after nine more years, the equity of the Company would have increased by only $196,214, and will still be substantially less than zero. At January 1, 2013 it would be negative $189,075.

Q 46: How did you determine that 10.3% should be the target rate of return?

Ans. It is my understanding that the law requires the Commission to set rates that allow NLU the opportunity to earn a reasonable rate of return on its rate base. Therefore, the question is not whether, but how much? To determine a fair answer to the question, I researched the returns produced by alternative investments. The data I reviewed is found in the *Statistical Abstract* I cited in my prior answer. Table No. 1197 reports the rate of return for Stocks, T-Bills and Corporate Bonds over various time periods. Over the twenty-year period 1980 - 1999, Corporate Bonds earned an average rate of return of 10.51%. The rate of return for stocks was 17.88% (adjusted for inflation, it was 13.35%). T-Bills earned 7.04 (they are, however, guaranteed by the US government and, therefore, assumed to be nearly risk free). I felt a regulated public utility should earn a rate of return at least in line with the return on corporate bonds: 10.51%. I also calculated the average for all three types of investment: Stocks, Corporate Bonds and T-Bills. The average, using the return for stocks that is not adjusted for inflation, was 11.81%. The average, using the return for stocks that was adjusted for inflation, was 10.3%. On this basis, I determined that 10.3% was a reasonable target rate of return for NLU.

Q 47: Can you describe NLU Exhibit CRB?

Ans. Yes. NLU Exhibit CRB is a Comparative Rate Base Analysis. It is my understanding that in recent years the Commerce Commission has used original cost of plant facilities when it calculates the revenue required to generate a reasonable return on rate base. The decision to use the original cost rate base represents a change from prior practice when the Commission used the fair value rate base to calculate the revenue required to generate a reasonable return on rate base. There are many Illinois court decisions that require the use of the fair value rate base. I have been unable to find an Illinois court decision that approves the Commission's decision to abandon "fair value" and use "original cost." Exhibit CRB provides the data upon which a fair value rate base can be calculated. The exhibit includes information that explains the calculations. The purpose of the exhibit is to make a record on this point. While NLU believes Illinois law requires use of a fair value rate base, NLU Exhibit ISA - 2 uses original cost rate base to calculate the rate of return that would be realized under the assumptions used in that exhibit. NLU does not concede, however, that fair value is no longer the legally required method to determine rate base.

Q 48: Why is NLU filing under the standard Rate Case Procedures instead of the Short Form Procedures that are available for small utilities?

Ans. I wish to point out that NLU did file under the Short Form Procedures. That filing was made on May 30, 2003. We felt that it would be much less expensive to use the Short Form Procedure. We decided, however, that it would be prudent to withdraw that filing. The reasons we decided to withdraw are no a secret. We understood that a group of our customers felt very strongly that there should be a public hearing, with witnesses required to testify under oath, rather than a public meeting, where Commission staff invited customers to speak about NLU. Mr. Lowe, as attorney for the Lost Nation Property Owners' Association, expressed that concern to the Commission shortly after our Short Form filing. We did not object to a public hearing. But the Short Form Procedure simply does not provide for a public hearing. In addition, we were concerned that the rates suggested by the Staff (after completion of their work in the Short Form case) might still be suspended by the Commission, which would initiate a Standard Form rate case - the very thing those who use the Short Form Procedure seek to avoid. That Standard Form case would not begin until after the Short Form case was completed. Because there is no time limitation on when a Short Form case must be concluded, the wait for a final rate order could be comparatively longer, depending on other matters that might require the attention of the Commission staff. We were also aware that under the Short Form Procedure, there is no opportunity to seek mediation of disputed adjustments made by Staff to the Utility's revenue requirements. This could work to the disadvantage of the Utility. Once we decided to withdraw the Short Form case, it made more sense to wait until 2004 to file the Standard Form case. This would make 2003 the logical "test year." To use 2003 as the test year would mean that any rates approved by the Commission would likely be based on data and information that was more recent (*i.e.,* more current) than the data and information NLU used to prepare the exhibits it filed in its Short Form case.

Q 49: Do you ask that the schedules and other documents NLU filed on September 3, 2004 be considered exhibits in this case?

Ans. Yes. I ask that the proposed rates, rules, regulations and conditions of service set forth in the schedules and other documents NLU filed in September be marked as NLU Exhibit PR. I prepared the schedules and documents that comprise NLU Exhibit PR.

Q 50: Does this conclude your initial testimony in this case?

Ans. Yes.

NEW LANDING UTILITY, INC.

List of NLU Exhibits
Described in Testimony of
Gene L. Armstrong
(September 20, 2004)

NLU Exhibit	*Description*
NLU PN	Public Notice(s)
NLU WTC	Water Tower Contract (proposed)
NLU WS-1	Written Summation in *EPA v. NLU* No. 00 CH 97
NLU WS-2	References to Record in *EPA v NLU* No. 00 CH 97
NLU SMRC	Addresses Subject to Surcharge and Main Replacement Charge
NLU CBS	Comparative Balance Sheet: 2000 - 2003
NLU ISA-1	Income Statement Analysis: 2001 - 2003
NLU ISA-2	Income Statement Analysis, Pro Forma: 2004 - 2012
CRB	Comparative Rate Base study
PR	Proposed Rates, Rules, Regulations and Conditions of Service Water Service and Sewer Service (as filed on September 3, 2004)

No. 3667

Certificate of Publication

State of Illinois SS.
Whiteside County

This is to Certify that a notice, a true copy of which is hereto attached, was published in the ***Daily Gazette***, a secular newspaper of general circulation published daily in the City of Sterling, in the County of Whiteside and State of Illinois, by **SAUK VALLEY NEWSPAPERS**, a corporation existing under the laws of said State, once each week for 2 successive weeks; that the date of the first paper containing said notice was the 10th day of September, 2004, and that the date of the last paper containing said notice was the 17th day of September, 2004.

And this is to further certify that said newspaper have been regularly published for one year prior to the first publication of said notice therein, and that the person who signs the name of said company to this certificate is as appears by the records of said company, it's duly authorized agent for such purpose.

Dated at Sterling, in said county, this 17th day of September, 2004

Daily Gazette

Publication Fee $384.00

by: Jennifer Diehl
Authorized Agent

Received payment
Daily Gazette

by: ________________

NLU Exhibit PN

PUBLIC NOTICE

Notice of Proposed Change in Schedules

To patrons of New Landing Utility, Inc.

New Landing Utility, Inc. hereby gives notice to the public that it has filed with the Illinois Commerce Commission proposed changes in its rates, and its rules, regulations and conditions of service for water service and for sewer service in its service territory in Taylor Township, Ogle County, Illinois, which service territory includes the following subdivisions: New Landing for the Delta Queen, Lost Nation Lakes, Lakewood Greens, Knollwood, and Flagg Estates (a/k/a Tampam Farms), and that said changes involve a general increase in the rates charged for all the water services and all the sewer services provided by New Landing Utility, Inc. More particularly, the proposed rates for such services would effect the following changes:

Rates for Metered Water Service

Present

Rate per 1,000 gallons per month:

First 20,000 gallons-	$1.70
Next 100,000 gallons-	$1.50
All over 120,000 gallons-	$1.30

Proposed

First 9,000 gallons	$3.40
Next 11,000 gallons	$3.20
All over 20,000 gallons	$3.00

Minimum Bill (5/8-inch water meter)

Present	Proposed
$10.00 per month	$30.00 per month

Remote (outside) meter reading device:

Present	Proposed
$0.33 per month	No charge

Hook On Fee:

Present	Proposed
$200	None

Change: Historically, the minimum bill issued to most residential customers. Under the proposed rates, the minimum bill for metered water service to residential customers will increase to $30 per month from $10 per month. The minimum monthly bill under the proposed rates will be three time (300%) the minimum monthly bill under the presently effective rates.

Surcharge:

A surcharge of $7.50 per month is proposed and would apply to customers who receive water through a main that was not installed by or for the Company. The present rates do not include a surcharge.

Main Replacement Charge:

A main replacement charge of $75.00 per month is proposed and would apply to customers subject to the Surcharge. This charge is to fund replacement of mains that were not installed by or for the Company. The present rates do not include a main replacement charge.

Rates for Availability of Water Service

Present	Proposed	Change
$4.50 per month	$13.50 per month	$9.00 per month: $300%

Rates for Availability of Water Service (to side yard lots)

Presently, there is no separate rate applicable to a side yard. A "side yard" is a lot owned by the customer who is receiving metered water service and metered sewer service for a residence on an adjacent lot.

Present	Proposed	Change
None	$6.75 per month	n.a.

Rates for Metered Sewer Service

Present	Proposed
120% of bill for water service	120% of bill for metered water service

Hook-on Fee:

Present	Proposed
$200	None

Change:

Historically, the minimum bill for metered water issues to most residential customers. Therefore, under the proposed rates, the minimum monthly bill for metered sewer service to residential customers will increase to $36 from $12. The minimum (monthly) bill under the proposed rates will be three times (300%) the minimum monthly bill under the presently effective rates.

Rates for Availability of Sewer Service

Present	Proposed	Change
$4.50 per month	$13.50 per month	$9.00 per month: 300%

Rates for Availability of Sewer Service (to Side Yard Lots)

Present	Proposed	Change
None	$6.75 per month	n.a.

Presently, there is no separate rate applicable to a side yard. A "side yard" is a lot owned by the customer who is receiving metered water service and metered sewer service for a residence on an adjacent lot.

A copy of the proposed changes in schedules may be inspected by any interested party at the business office in this company: 1113 South Blvd., Oak Park, IL 60303 or by telephoning Mr. Armstrong at either 708-848-4241 or at 708-386-8400 ext. 4. Copies of said schedules may be also obtained from Steve Clark, 314 Slippery Rock Drive, Dixon, Illinois 61021.

Customers should be advised that the Commission may alter or amend the rates or conditions of service after hearings held pursuant to 83 Ill. Adm. Code 200 and may increase or decrease individual rates in amounts other than those requested by the company.

All parties interest in this matter may obtain information with respect thereto either directly from this Company or by addressing the Chief Clerk of the Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois 62706.

New Landing Utility, Inc.

By: Gene L. Armstrong, President

September 10, 17, 2004

PUBLIC NOTICE

Proposed Changes in Rates, Charges,
Classifications, Rules and Regulations For Service

NEW LANDING UTILITY, INC. (the "Company") has filed with and there are now pending before the Illinois Commerce Commission proposed changes in the Company's schedules. Copies of such proposed changes are on file in the Company's office at 1113 South Blvd., Oak Park, Illinois, and open to public inspection.

A representative of the Company will assist any person to determine the effect of the proposed changes.

Customers should be advised that the Commission may alter or amend the rates or conditions of service after hearings held pursuant to 83 Ill. Adm. Code 200 and may increase or decrease individual rates in amounts other than those requested by the Company.

<u>Types of Services Involved</u>

All Water Services Provided by the Company

All Sewer Services Provided by the Company

For further information or assistance, contact:

Gene L. Armstrong, President

708-386-8400 ext. 4 (daytime)

708-848-4241 (evenings)

NEW LANDINGS UTILITY, INC.
ILLINOIS

WATER STORAGE TANK MAINTENANCE PROGRAM

FOR
150,000 Gallon Riveted, Welded, Lattice Leg Tank

PREPARED BY:
MICHAEL C. OLESEN
WATER SYSTEMS CONSULTANT

November, 2002

NLU Exhibit WTC

MAINTENANCE PROGRAM SUMMARY

The maintenance requirements of steel water storage tanks, as well as concrete tanks in the state of Wisconsin, have been greatly increased over the past several years. These regulations come from both the state and federal levels of government. Controls over inspections and cleaning of tanks, materials used to recoat tanks, disposal of materials taken from tanks, and qualifications of workers performing maintenance have all come into play to cause the frequency of maintenance to increase as well as the cost. Our ongoing program of care provides full coverage for all aspects of tank maintenance. Under the maintenance program, annual inspections are conducted to determine what repairs are needed and at what interval these renovations will be required.

These annual inspections, in accordance with recommendations, evaluate the following:

* STRUCTURAL - The condition of the tanks foundation and structure.
* COATINGS - The condition of the exterior and interior coatings.
* SANITARY - The condition of the screens, vents, and overflow.
* SAFETY - The condition of all safety related items.

Each of the tanks is biennially scheduled to be drained, pressure washed (to remove any debris or sediment), disinfected, and fully inspected, and the exterior pressure washed every four years. The program provides for <u>all</u> future renovations. This includes surface preparation, coating application, inspection, and waste removal. Also provided in the program are repairs, correction of vandalism, and regular maintenance. The repairs range from painting out graffiti to more complex repairs such as welding punctures and recoating to ensure the preservation of steel and the watertight condition of the tanks. All engineering services needed are also provided as part of the maintenance program at no added cost.

The program assures the owner that the tanks are always in compliance with state and federal regulations, and that the tanks are attractive and provide a safe and healthy environment to store potable water. If the tanks are initially in poor condition, they are renovated so that they may be accepted in the program. The initial cost for renovations can be spread over several years to soften the financial impact and to make the program more affordable to the tank owner. Once this up front cost is taken care of, the annual fee dramatically drops to a level of which it will remain constant for a three [3] year period. At the end of this three-year period, the fee may be adjusted to reflect inflation. There is a 5% per year cap, or maximum increase, which assures the customer that the program cost will be contained according to the inflationary rate of the period. This three-year adjustment increment also gives the customer a three-year level budget and enables future fees to be calculated.

A contract for a customized maintenance program designed for the New Landings Utility, Inc. will be presented to you for consideration. This contract will capitalize on the existing strengths of the condition of the water storage tank and remedy the deficiencies identified. All renovation and recommended repairs identified in the inspection report will be included in the contract.

WHAT THE MAINTENANCE PROGRAM COVERS

1) All costs associated with the maintenance and upkeep of the tank.

2) All costs associated with the planning and evaluation for the short-term and long-term maintenance needs.

3) All costs associated with current and future exterior cleaning and painting.

4) All costs associated with current and future interior cleaning and painting.

5) All costs needed for exterior repairs.

6) All costs needed for interior repairs.

7) All costs associated with redoing any existing logo and artwork. Finish colors selected by the owner. Change in, or addition of, logo would need to be made part of the contract, or done by change order should change occur after contract is signed.

8) All costs to ensure the tank is sound, watertight, and in good working order.

9) All costs associated with locking and securing the tank.

10) All costs associated with an Illinois EPA-compliant annual inspection of the tank.

11) All costs associated with the Illinois EPA-compliant biennial washout and disinfection of the tank.

12) All costs associated with the handling of any emergency service requirements.

13) All costs associated with ensuring the tank is in good working order, safe, sanitary, and appreciating in value.

14) Block letters, two sides, "New Landings" included in contract.

15) NOT INCLUDED: Portable pressure tanks.

MAINTENANCE PROGRAM LISTING

Currently, Utility Service Co., Inc. has over 5,000 tanks entrusted to our care under the identical program submitted to New Landings Utility, Inc. The following is a partial listing of systems presently under our program.

Village of Belgium, WI
75,000 Gallon Elevated
Mr. Daniel Birenbaum
(262) 285-7941
(414) 416-7085 (Cell)
Date of Contract: June 15, 2001

Village of Capron, IL
150,000 Gallon Single Pedestal Tank
Mr. John Ustich, Mayor
(815) 569-2206
Date of Contract: September 11, 2002

Village of Elkhart Lake, WI
160,000 Gallon Tank
Mr. Rich Solfik
(920) 876-2231
Date of Contract: October 19, 2001

Village of Hustisford, WI
200,000 Gallon Tank
Mr. Dennis Uecker
(920) 349-3650
Date of Contract: October 19, 2002

City of Jefferson, WI (Jefferson Water & Electric)
750,000 Gallon Tank
Mr. Bruce Folbrecht
(920) 674-7711
Date of Contract: July 18, 2000

City of Oconto, WI
500,000 Gallon HydroPillar
Mr. Bob Mommaerts, P.E.
(920) 834-7711
Date of Contract: June 11, 2001

Village of Port Edwards, WI
65,000 Gallon Tank
Mr. Joe Terry
(715) 887-3511
Date of Contract: August 1, 2000

City of Port Washington, WI
500,000 Gallon Single Pedestal
Mr. David Ewig
(262) 284-7686
Date of Contract: August 13, 2002

City of Racine, WI (Racine Water & Wastewater Utility)
2,750,000 Gallon Tank
Date of Contract: December 1, 2000
2,000,000 Gallon Tank
Date of Contract: December 18, 2001
Mr. Chuck Schweitzer
(262) 636-9436

City of Watertown, WI
1 – 500,000 Gallon Tank
3 – 300,000 Gallon Tanks
1 – 500,000 Gallon Ground Storage Tank
Mr. Richard Kuerschner
(920) 262-4075
(414) 617-2697 (cell)
Date of Contract: May 20, 2002

City of Waupun, WI (Waupun Utilities)
400,000 Gallon Tank
Mr. Glen McCarty
(920) 324-7920
Date of Contract: March 6, 2001

UTILITY SERVICE COMPANY, INC.
STATEMENT OF QUALIFICATIONS

As a thirty-nine year old company, Utility Service Co., Inc. has worked hand in hand with Municipal, County, and Industrial tank owners to become the "Proven Leader of Tank Maintenance". In order to provide all aspects of maintenance included in our program to the New Landings Utility, Inc., the following qualifications and technical support are required.

MAJOR RENOVATION PROJECTS:

Currently, we have over seventy [70] maintenance crews at our disposal. Each crew of two [2] to five [5] men is equipped with a full range of equipment needed to complete both major and minor cleaning and painting projects. The majority of these crews have a crew foreman with over ten [10] years experience in water tank maintenance. All service crews operate in accordance with Company safety procedures.

SERVICE CENTERS:

For the New Landings Utility, Inc., the primary Service Center is located in Illinois. This Service Center will coordinate all major production activities.

All major renovation projects will be assigned to this Service Center and coordinated through that office. To contact the service center for any information or service, call:

General Manager:
Randy Percy
P.O. Box 362
Pittsburg, KS 66762
Phone: (620) 231-2160
Fax: (620) 232-1558
Cell: (620) 235-2175
rpercy@utilityservice.com

Your Northern Illinois Contact:
Michael C. Olesen
1201 Richards Ave., Unit H
Watertown, WI 53094-5100
Phone: (920) 206-9180
Fax: (920) 206-9190
Cell: (920) 988-3431
molesen@utilityservice.com

MANAGEMENT OF PROGRAMS:

Managing the programs for the New Landings Utility, Inc. will fall under the responsibility of the Corporation's Regional Sales Office. Each tank and each major project will be assigned an engineer to examine the tanks and implement quality control. The engineer will be responsible for engineering inspections and quality control assurance programs.

The Regional Sales Office address and phone numbers are as follows:

Randy L. Moore, Vice President of Sales
Utility Service Co., Inc.
439 S. Kirkwood Rd., Suite 214
Kirkwood, MO 63122
(314) 909-9595
Fax: (314) 909-9555
rmoore@utilityservice.com

MAINTENANCE PROGRAM (TANK INSPECTION SCHEDULE)

Under Utility Service Company's long-term maintenance program, each tank is inspected yearly in accordance with Illinois EPA and AWWA guidelines. There are two [2] types of inspections.

1. Engineering (Visual) Inspections
2. Washout/Inspections

These inspections normally will alternate from one year to the next. In other words, one year the tank will receive an engineering inspection and the next year, it will receive a washout inspection.

ENGINEERING INSPECTIONS

This inspection is conducted by an experienced tank inspector, and the photos and report are prepared by a qualified tank engineer. The inspection is to determine:

- the condition of the exterior and interior coatings
- that the tank is in compliance with all safety and sanitary regulations
- that the tank's structural integrity is intact
- what repairs/touchups may be needed

Once this inspection is completed, a report of the findings is made and given to the tank owner. This report can serve as a yearly report on the condition of the tank, which the owner may wish to forward to the Illinois EPA.

Any repairs/touchups caused by vandalism or normal deterioration will be noted by the inspector and scheduled to be completed as soon as possible.

WASHOUT INSPECTIONS

The washout inspection is conducted by a service crew when the tank is fully drained. The crew removes any sediment/sludge that has collected in the storage tank. Once the tank has been cleaned, any needed repairs/touch-ups are made. Then photographs documenting the condition of the interior are taken. The final stage of the process is to replace the manway gasket and to disinfect the interior per A.W.W.A. Spray Method #2. Now the tank is ready to be put back into service.

A report of the findings and photographs are given to the tank owner. This report can be used as documentation for the condition of the tank and proof of compliance for the Illinois EPA and AWWA.

During the washout/inspection, any needed repairs or touch-ups due to vandalism or normal deterioration will be completed. If the repairs can't be made at this time, the corrections will be scheduled and completed as soon as possible.

MAINTENANCE CONTRACT - GENERAL INFORMATION

CONTRACT DOCUMENTS

Each tank in the program will have a separate contract document. Each tank's contract document will be submitted in a cover binder and labeled on the exterior. Each binder will include two [2] executed contract documents.

CONTRACT TIME

The maintenance program is a one [1] year contract, which can be extended indefinitely. The contract will be automatically renewed unless New Landings Utility, Inc. officials notify Utility Service Co., Inc. in writing of intent to cancel the contract.

PAYMENT AND PAYMENT TERMS

Each tank under the program has a set annual fee. This fee is outlined on Page 2 of each document. The fee changes will be clearly stated in the Addendum on Page 3 of each document.

Payment terms on each tank shall be determined by New Landings Utility, Inc. officials. Annual fees may be paid on a monthly, quarterly, semi-annually, or lump sum basis. New Landings Utility, Inc. officials shall notify the Company of selected payment schedule.

ANNUAL FEE ADJUSTMENTS

Tanks entering the maintenance program have an established base fee stated on Page 2 of each document. This base fee shall remain constant for a three [3] year increment. At the end of each three [3] year increment, the base fee may be adjusted as a result of inflation or deflation. The maximum increase or decrease is limited to 5% annually. After adjustments are made at the end of a three [3] year increment, the adjusted fee shall remain constant for the next three [3] year period.

QUESTIONS PERTAINING TO THE MAINTENANCE PROGRAM

During the course of review of the Utility Service Co., Inc.'s maintenance program for the New Landings Utility, Inc., any questions or clarification regarding the maintenance program submitted may be addressed to any of the following Company Representatives.

Carl S. Cummings President	Phone: Watts: E-Mail	912-987-0303 800-223-3695 ccummings@utilityservice.com
Randy Moore Vice President Sales	Phone: Fax: E-mail:	314-909-9595 314-909-9555 rmoore@utilityservice.com
Michael C. Olesen Wisconsin, Northern Illinois, and Michigan's U.P. Representative	Phone: Fax: E-mail:	920-206-9180 920-206-9190 molesen@utilityservice.com
Randy Percy General Manager	Phone: Fax: E-mail:	620-231-2160 620-232-1558 rpercy@utilityservice.com

NEW LANDINGS UTILITY, INC.

WATER TANK MAINTENANCE PROGRAM

HOLD HARMLESS AGREEMENT

The Company agrees to indemnify the Owner and hold the Owner harmless from any and all claims, demands, actions, damages, liability, and expense in connection with loss of life, personal injury, and/or damage to property by reason of any act, omission, or representation of the Company or its subcontractors, agents, or employees in the execution of this Contract.

Michael C. Olesen
Utility Service Company, Inc.

Deborah K. Olesen
Witness

11/24/02
Dated:

150,000 GAL. RIVETED, WELDED, LATTICE LEGGED TANK

Tank Exterior

1) The entire exterior shall be abrasive blast cleaned in accordance with SSPC-SP6 "Commercial Blast Cleaning". All surfaces shall be clean, dry and free of contaminants. Exterior stall be blasted using containment to comply with State of Illinois regulations regarding emissions. Cleaning shall include all ladders, pipes, and steel accessories associated with the complete exterior.
2) After cleaning, all bare metal areas shall receive two coats of Tnemec Series 66 at 2.0-3.0 mils DFT.
3) The entire exterior shall receive one finish coat of Tnemec Series 1075 at 2.5-3.0 mils DFT.
4) All new lettering shall be painted in block lettering with Tnemec Series 1075.
5) All accesses shall be locked and secured.
6) The tank shall be made ready for service.

Tank Interior

1) The interior shall be high-pressure water cleaned to remove all mud, silt, and foreign debris.
2) The complete interior wet areas shall be blast cleaned in accordance with SSPC-SP10 "Near White Metal Cleaning" to include all ladders, pipes, and steel accessories associated with the complete interior.
3) After cleaning, all surfaces are to blown down using dry compressed air to remove all dust and other foreign material, then vacuumed.
4) The complete interior shall be coated in accordance with AWWA D102-97 Paint System ICS-1-W using Tnemec Series 20 Pota-Pox as scheduled below:
    a. Stripe Coat: All welded and riveted seams shall receive one coat of Series 20 by brush or roller
    b. Prime Coat: Apply one full coat of Series 20-1255 at 3.0-5.0 mils DFT
    c. Finish Coat: Apply one full coat of Series 20-15BL at 4.0-6.0 mils DFT.

    The total minimum thickness shall be no less than 8 mils DFT.
5) The interior shall receive forced ventilation to ensure proper curing of the interior lining.
6) All manways shall be fitted with new gaskets.
7) The interior shall be disinfected in accordance with AWWA Spray Method No. 2.
8) The interior shall be sealed in a watertight condition and made ready for service.
9) All spent abrasive shall be properly collected and disposed off-site.

REPAIRS:

- The exterior coating system has failed, metal loss is occurring, and what coating remains should be removed and the tank repainted, with full containment.
- The interior coating system should be removed and replaced soon to avoid any additional deterioration, metal loss, and pitting damage to the interior steel.
- Attach the roof ladder to the roof.
- Add OSHA-compliant safety climbs to the shell and roof ladders.
- Add a mid-rail to the balcony railing, enlarge the catwalk landing, and add drain holes to the catwalk.
- An OSHA-compliant riser protective railing system should be installed.
- An additional 24-inch manway should be installed 180 degrees opposite the existing riser manway.
- A 24-inch balcony shell manway should be installed to allow two means of entrance into the bowl of the tank, and a ladder installed to the tank bottom.
- A new freeze-proof/insect-proof vent should be installed.
- The overflow should be extended down a leg to within 12-24 inches of grade, terminating with a flange/screen/flange assembly.
- A fill pipe cover should be installed.
- The grouting around the riser pipe and legs should be repaired, as needed.
- The spider rods should be removed and the roof and shell wall area sealed.

NEW LANDINGS UTILITY INC., ILLINOIS
150,000 Gallon Riveted, Welded, Lattice Legged Tank

MAINTENANCE PROGRAM SCHEDULE OF WORK & FEES

TANK	YEAR 1 2003	YEAR 2 2004	YEAR 3 2005	YEAR 4 2006	YEAR 5 2007	YEAR 6 2008
150,000 Gal. Riveted, Welded Lattice Legged tank	Complete interior & exterior renovation. Blast, paint, and repairs	Engineering Inspection & Washout	Washout Inspection & Report	Washout, Wash off, Inspection, and Touch-up of Exterior and Interior	Engineering Inspection & Report	Washout Inspection, Touch-up of Interior & Exterior
Annual Cost:	**$77,525.00**	**$77,525.00**	**$77,525.00**	**$8,758.00**	**$8,758.00**	**$8,758.00**

In Year 1 (2003) through Year 3 (2005), the total cost of renovation and service equals a **Total of $232,573.00.** In Years 4, 5, and 6 (2006-2008), the annual cost is **$8,758.00;** and Utility Service Co., Inc. assumes ALL future maintenance and renovation costs per the Water Tank Maintenance Contract.

After year 6, the base fee can be adjusted every three (3) years up or down, to reflect the previous year's change in costs, with a maximum change of 5% per year, then fixed for another three (3) years.

The first payment of $77,525.00 will be due upon completion of the scheduled work.

NEW LANDING UTILITY, INC. NLU Exhibit SMRC

Addresses Subject to Surcharge
and
Main Replacement Charge

<u>Oak Drive (6)</u>

200
204
208
306
310
406

<u>Maple Lane (6)</u>

105
108
206
209
210
212

<u>Blackberry Cr (8)</u>

102
104
105
109
112
113
114
118

<u>Mulberry Ln (7)</u>

205
208
210
211
212
215
217

<u>Woodland Dr. (16)</u>

104
106
108
109
202
204
300
500
501
502
503
509
511
513
515
705

<u>Cherry Ln. (1)</u>

304

<u>Hickory Ln (10)</u>

100
101
104
105
108
109
110
111
200
201

<u>Lakeside Dr. (7)</u>

109
203
205
210
212
217
218

<u>Green Ash Dr. (2)</u>

100
108

<u>Cottonwood Ct. (2)</u>

502
516

<u>Crabapple Ct. (9)</u>

100
103
105
106
108
110
112
116
120

<u>Flagg Rd (2)</u>

206
202-204

<u>Park Dr. (2)</u>

300
301

<u>Birch Ln. (10)</u>

305
311
312
313
317
321
323
324
326
330

Total: 88 Lots

New Landing Utility, Inc.
Rate Case Analysis
NLU Exhibit CBS
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NEW LANDING UTILITY, INC.
December 31, 2000 - 2003
Balance Sheet Analysis

Acct. No.	Description	2000 Water	2000 Sewer	2000 Total	2001 Water	2001 Sewer	2001 Total
101-106	Utility Plant	$1,191,919	$825,232	$2,017,151	$1,198,876	$831,357	$2,030,233
108-110	Less: Dep & Amort	($586,920)	($390,645)	($977,565)	($607,819)	($405,998)	($1,013,817)
	Net Utility Plant	$604,999	$434,587	$1,039,586	$591,057	$425,359	$1,016,416
131	Cash	$10,688	$10,688	$21,376	$3,793	$3,793	$7,586
140-144	Accounts Receivable Net of provs. for bad debt	$51,657	$47,684	$99,341	$41,130	$37,966	$79,096
151-153	Materials & Supplies	$3,637	$3,637	$7,273	$3,637	$3,637	$7,273
	Total Current Assets	$65,982	$62,008	$127,990	$48,559	$45,396	$93,955
	TOTAL ASSETS	$670,981	$496,595	**$1,167,576**	$639,616	$470,755	**$1,110,371**
201	Common Stock	$531,000	$369,000	$900,000	$531,000	$369,000	$900,000
214, 215	Retained Earnings	($694,302)	($640,894)	($1,335,196)	($749,857)	($692,176)	($1,442,033)
	Total Equity Capital	($163,302)	($271,894)	($435,196)	($218,857)	($323,176)	($542,033)
223	Advances: Assoc. Co.	$40,179	$40,179	$80,357	$40,179	$40,179	$80,357
	Total Long-Term Debt	$40,179	$40,179	$80,357	$40,179	$40,179	$80,357
231	Accounts Payable	$5,233	$5,233	$10,466	$5,233	$5,233	$10,466
233	Accts Pay. Assoc. Co.	$471,696	$435,411	$907,107	$505,386	$466,511	$971,897
236	Accrued Taxes	$33,747	$1,776	$35,523	$33,747	$1,776	$35,523
237	Accrued Interest	$46,573	$32,365	$78,938	$46,573	$32,365	$78,938
	Total Current/Accrued Liabilities	$557,249	$474,785	$1,032,034	$590,940	$505,884	$1,096,824
252	Advances for Construction	($953)	($663)	($1,616)	($953)	($663)	($1,616)
	Total Deferred Credits	($953)	($663)	($1,616)	($953)	($663)	($1,616)
271	Contributions CIAC	$447,122	$310,712	$757,834	$447,122	$310,712	$757,834
272	Accum. Amortization of CIAC	($156,844)	($108,993)	($265,837)	($165,786)	($115,208)	($280,994)
	Total Net CIAC	$290,278	$201,719	$491,997	$281,336	$195,504	$476,840
	TOTAL EQUITY CAPITAL & LIABILITIES	**$723,450**	**$444,126**	**$1,167,576**	**$692,643**	**$417,729**	**$1,110,372**
	RATE BASE (Cost) (Net Plant less net CIAC)	$314,721	$232,868	$547,589	$309,721	$229,855	$539,576

NEW LANDING UTILITY, INC.
December 31, 2000 - 2003
Balance Sheet Analysis

Acct. No.	Description	Water	Sewer	2002 Total	Water	Sewer	2003 Total
101-106	Utility Plant	$1,208,522	$835,357	$2,043,879	$1,216,680	$842,557	$2,059,237
108-110	Less: Dep & Amort	($628,715)	($421,351)	($1,050,066)	($649,617)	($436,704)	($1,086,321)
	Net Utility Plant	$579,807	$414,006	$993,813	$567,063	$405,853	$972,916
131	Cash	$8,763	$8,763	$17,525	$12,814	$12,815	$25,629
140-144	Accounts Receivable						
	Net of provs. for bad debt	$32,129	$29,658	$61,787	$24,494	$22,609	$47,103
151-153	Materials & Supplies	$3,637	$3,637	$7,273	$3,637	$3,637	$7,273
	Total Current Assets	$44,528	$42,057	$86,585	$40,944	$39,061	$80,005
	TOTAL ASSETS	$624,335	$456,063	**$1,080,398**	$608,007	$444,914	**$1,052,921**
201	Common Stock	$531,000	$369,000	$900,000	$531,000	$369,000	$900,000
214, 215	Retained Earnings	($551,810)	($509,363)	($1,061,173)	($668,350)	($616,939)	($1,285,289)
	Total Equity Capital	($20,810)	($140,363)	($161,173)	($137,350)	($247,939)	($385,289)
223	Advances: Assoc. Co.	$40,179	$40,179	$80,357	$40,179	$40,179	$80,357
	Total Long-Term Debt	$40,179	$40,179	$80,357	$40,179	$40,179	$80,357
231	Accounts Payable	$5,233	$5,233	$10,466	$103,944	$103,944	$207,887
233	Accts Pay. Assoc. Co.	$94,032	$86,798	$180,830	$97,378	$89,887	$187,265
236	Accrued Taxes	$33,747	$1,776	$35,523	$33,747	$1,776	$35,523
237	Accrued Interest	$249,174	$173,154	$422,328	$253,861	$176,412	$430,273
	Total Current/Accrued Liabilities	$382,185	$266,962	$649,147	$488,929	$372,019	$860,948
252	Advances for Construction	$29,727	$20,657	$50,384	$29,727	$20,657	$50,384
	Total Deferred Credits	$29,727	$20,657	$50,384	$29,727	$20,657	$50,384
271	Contributions CIAC	$447,122	$310,712	$757,834	$447,122	$310,712	$757,834
272	Accum. Amortization of CIAC	($174,729)	($121,422)	($296,151)	($183,672)	($127,636)	($311,308)
	Total Net CIAC	$272,393	$189,290	$461,683	$263,450	$183,076	$446,526
	TOTAL EQUITY CAPITAL & LIABILITIES	**$703,673**	**$376,725**	**$1,080,398**	**$684,934**	**$367,992**	**$1,052,926**
	RATE BASE (Cost) (Net Plant less net CIAC)	$307,414	$224,716	$532,130	$303,613	$222,777	$526,390

NEW LANDING UTILITY, INC
Rate Case Analysis
NLU Exhibit ISA - 1
Inflation Rate re: Expenses: 3.32% 1.0332
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NEW LANDING UTILITY, INC.
December 31, 2003
Income Statement Analysis

Acct. Water	Acct. Sewer	Description	2001 *Water*	2001 *Sewer*	2001 **Total**	2002 *Water*	2002 *Sewer*	2002 **Total**	2003 *Water*	2003 *Sewer*	2003 **Total**
		Revenues									
		Operating Revenue									
460	521.1	Unmetered (Availability Rates)	$39,434	$39,434	$78,868	$38,610	$38,610	$77,220	$38,664	$38,664	$77,328
460	521.1	Unmetered (Side Yard Rate)	$0	$0	$0	$0	$0	$0	$0	$0	$0
461.1	522.1	Metered: Rates	$36,142	$19,978	$56,120	$37,590	$22,052	$59,642	$41,696	$24,746	$66,442
461.1		Surcharge	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Total Sales	*$75,576*	*$59,412*	*$134,988*	*$76,200*	*$60,662*	*$136,862*	*$80,360*	*$63,410*	*$143,770*
470	532	Forfeited Discounts	$10,540	$10,540	$21,080	$11,184	$11,184	$22,368	$10,597	$10,597	$21,194
474	536	Other Revenues(Hook-on fees)	$2,000	$2,000	$4,000	$2,000	$2,000	$4,000	$800	$800	$1,600
		Main Replacement Charge	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Total Other Revenues	*$12,540*	*$12,541*	*$25,081*	*$13,184*	*$13,184*	*$26,368*	*$11,397*	*$11,397*	*$22,794*
400	400	***Total Operating Revenues***	**$88,116**	**$71,953**	**$160,069**	**$89,384**	**$73,846**	**$163,230**	**$91,757**	**$74,807**	**$166,564**
		Expenses									
		Operation & Maintenance									
620	720	Materials & Supplies	$902	$963	$1,865	$1,106	$2,163	$3,269	$996	$583	$1,579
615	715	Purchased Power	$8,479	$8,479	$16,958	$9,033	$9,033	$18,066	$9,212	$9,212	$18,424
618	718	Chemicals	$2,100	$2,100	$4,200	$2,199		$2,199	$7,349		$7,349
658	770	Bad Debt Expense	$19,708	$18,899	$38,607	$19,474	$19,008	$38,482	$19,018	$18,542	$37,560
632	732	Contract Services: Accounting	$5,750	$5,750	$11,500	$0	$0	$0	$1,394	$1,394	$2,788
633	733	Contract Services: Legal	$0	$0	$0	$0	$0	$0	$0	$24,759	$24,759
634	734	Contract Services: Management	$3,300	$3,300	$6,600	$3,300	$3,300	$6,600	$3,300	$3,300	$6,600
636	736	Contract services: Other	$40,676	$46,447	$87,123	$33,639	$39,825	$73,464	$200,180	$31,596	$231,776
641	741	Rents	$1,200	$1,200	$2,400	$600	$600	$1,200	$1,800	$1,800	$3,600
657	757	Insurance: General Liability	$2,004	$2,003	$4,007	$3,585	$3,585	$7,170	$3,573	$3,573	$7,146
667	767	Reg. Comm'n Exp: Other	$62	$62	$124	$0	$0	$0	$71	$5,164	$5,235
675	775	Miscellaneous Exp.	$2,327	$1,785	$4,112	$1,158	$3,055	$4,213	$2,421	$2,421	$4,842
401	401	**Total Operation & Maintenance**	**$86,508**	**$90,988**	**$177,496**	**$74,094**	**$80,569**	**$154,663**	**$249,314**	**$102,344**	**$351,658**
403	403	Depreciation	$19,836	$15,246	$35,082	$19,836	$15,246	$35,082	$19,836	$15,246	$35,082
407	407	Amortization (incld rate case exp)	$1,063	$107	$1,170	$1,063	$107	$1,170	$1,063	$107	$1,170
408.1	408.1	Taxes Other than Income	$3,456	$3,456	$6,912	$3,742	$3,742	$7,484	$3,744	$3,744	$7,488
		Utility Operating Income: Water	**-$22,747**	**-$37,844**	**-$60,591**	**-$9,351**	**-$25,818**	**-$35,169**	**-$182,200**	**-$46,634**	**-$228,834**
419	419	Interest Income	$6	$6	$12	$6	$6	$11	$3	$3	$6
427	427	Interest Expense	$30,708	$30,707	$61,415	$5,706	$5,706	$11,412	$5,222	$5,223	$10,445
433	433	Extraordinary Adjustment (Note 1)	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157
		NET INCOME (LOSS)	**-$43,344**	**-$63,493**	**-$106,837**	**-$4,946**	**-$26,466**	**-$31,413**	**-$177,314**	**-$46,802**	**-$224,116**

Note 1: Depreciation of CIAC

NEW LANDING UTILITY, INC
Rate Case Analysis
NLU Exhibit ISA - 2
Inflation Rate re: Expenses: 3.32%

Pro Forma
Assumes Proposed
Rate Increase

NEW LANDING UTILITY, INC.
December 31, 2004-2010
Income Statement Analysis
Sept. 2004

Yearly Rate
Side Yard: Water - $81.00
Side Yard: Sewer - $81.00
Side Yards in 2004 - 80

Acct. Water	Acct. Sewer	Description	Water	Pro Forma Sewer	2004 Total	Water	Pro Forma Sewer	2005 Total	Water	Pro Forma Sewer	2006 Total
		Revenues									
		Operating Revenue									
460	521.1	Unmetered (Availability Rates)	$111,780	$111,780	$223,560	$109,544	$109,544	$219,089	$107,354	$107,354	$214,707
460	521.1	Unmetered (Side Yard Rate)	$6,480	$6,480	$12,960	$6,739	$6,739	$13,478	$7,009	$7,009	$14,018
461.1	522.1	Metered: Rates	$115,000	$65,000	$180,000	$123,050	$72,150	$195,200	$131,664	$80,087	$211,750
461.1		Surcharge	$7,920	$0	$7,920	$7,920	$0	$7,920	$7,920	$0	$7,920
		Total Sales	*$241,180*	*$183,260*	*$424,440*	*$247,254*	*$188,434*	*$435,687*	*$253,946*	*$194,449*	*$448,395*
470	532	Forfeited Discounts	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000
474	536	Other Revenues(Hook-on fees)	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Main Replacement Charge	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
		Total Other Revenues	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*
400	400	***Total Operating Revenues***	**$355,380**	**$218,260**	**$573,640**	**$361,454**	**$223,434**	**$584,887**	**$368,146**	**$229,449**	**$597,595**
		To Main Replacement Reserve	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
		Adjusted Operating Revenue	**$276,180**	**$218,260**	**$494,440**	**$282,254**	**$223,434**	**$505,687**	**$288,946**	**$229,449**	**$518,395**
		Expenses									
		Operation & Maintenance									
620	720	Materials & Supplies	$1,200	$2,275	$3,475	$1,240	$2,351	$3,590	$1,281	$2,429	$3,710
615	715	Purchased Power	$9,100	$9,100	$18,200	$9,402	$9,402	$18,804	$9,714	$9,714	$19,429
618	718	Chemicals	$2,300	$2,300	$4,600	$2,376	$2,376	$4,753	$2,455	$2,455	$4,911
658	770	Bad Debt Expense	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000
632	732	Contract Services: Accounting	$2,000	$2,000	$4,000	$2,066	$2,066	$4,133	$2,135	$2,135	$4,270
633	733	Contract Services: Legal	$153,500	$20,350	$173,850	$12,100	$23,100	$35,200	$5,600	$83,100	$88,700
634	734	Contract Services: Management	$7,000	$7,000	$14,000	$7,232	$7,232	$14,465	$7,473	$7,473	$14,945
636	736	Contract services: Other	$40,000	$40,000	$80,000	$41,328	$41,328	$82,656	$42,700	$42,700	$85,400
641	741	Rents	$1,800	$1,800	$3,600	$1,860	$1,860	$3,720	$1,922	$1,922	$3,843
657	757	Insurance: General Liability	$3,750	$3,750	$7,500	$3,874	$3,874	$7,749	$4,003	$4,003	$8,006
667	767	Reg. Comm'n Exp: Other	$75	$5,075	$5,150	$77	$5,243	$5,321	$80	$5,418	$5,498
675	775	Miscellaneous Exp.	$2,200	$2,200	$4,400	$2,273	$2,273	$4,546	$2,349	$2,349	$4,697
401	401	**Total Operation & Maintenance**	**$257,925**	**$121,850**	**$379,775**	**$118,830**	**$127,107**	**$245,937**	**$114,711**	**$189,696**	**$304,408**
403	403	Depreciation	$25,000	$15,250	$40,250	$25,000	$21,000	$46,000	$25,000	$21,000	$46,000
407	407	Amortization (incld rate case exp)	$1,063	$107	$1,170	$7,063	$6,107	$13,170	$7,063	$6,107	$13,170
408.1	408.1	Taxes Other than Income	$4,000	$4,000	$8,000	$4,133	$4,133	$8,266	$4,270	$4,270	$8,540
		Utility Operating Income: Water	**-$11,808**	**$77,053**	**$65,245**	**$127,228**	**$65,087**	**$192,315**	**$137,901**	**$8,375**	**$146,277**
419	419	Interest Income	$6	$6	$11	$6	$6	$11	$6	$6	$11
427	427	Interest Expense	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000
433	433	Extraordinary Adjustment (Note 1)	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157
		NET INCOME (LOSS)	**-$7,697**	**$76,111**	**$68,413**	**$131,339**	**$64,145**	**$195,484**	**$142,012**	**$7,433**	**$149,445**

Note 1: Depreciation of CIAC

Other Payments

	2004 Water	2004 Sewer	2004 Total	2005 Water	2005 Sewer	2005 Total	2006 Water	2006 Sewer	2006 Total
For Water Tower Renovation	$80,000		$80,000	$80,000		$80,000	$80,000		$80,000
For Sewer Plant Renovation		$0	$0		$75,000	$75,000		$75,000	$75,000
For Lost Nation Repairs	$25,000		$25,000	$0		$0	$0		$0
Long-Term Debt Pymts	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accrued Interest Pymts	$0	$0	$0	$0	$0	$0	$0	$0	$0
Letter Agrement Pymts	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal, Other Pymts	**$105,000**	**$0**	**$105,000**	**$80,000**	**$75,000**	**$155,000**	**$80,000**	**$75,000**	**$155,000**
NET INCOME (LOSS)	**-$112,697**	**$76,111**	**-$36,587**	**$51,339**	**-$10,855**	**$40,484**	**$62,012**	**-$67,567**	**-$5,555**
Retained Earnings Account at Jan. 1			-$1,285,289			-$1,317,266			-$1,317,266
Rate Base at Jan 1			$533,633			$750,000			$1,000,000
Rate of Return, pro forma (%)			-6.86%			5.40%			-0.56%
Additional revenue required to earn									
Target Rate of Return: 10.3%			$91,551			$36,766			$108,555
Average Rate of Return			-6.86%			-0.73%			-0.67%
Balance, Line Replacement Reserve			$79,200			$161,984			$248,452
Increase in Payables to Associated Companies			$13,200			$0			$0
Decrease (Increase) in Accounts payable			-$23,387			$40,484			-$5,555
Remaining Balance: 2003 Accounts Payable			$226,664			$186,180			$191,735
Gain (Loss) added to Retained Earnings			-$31,977			$0			$0

NEW LANDING UTILITY, INC
Rate Case Analysis
NLU Exhibit ISA - 2
Inflation Rate re: Expenses: 3.32%

Acct. Water	Sewer	Description	Water	Pro Forma Sewer	2007 Total	Water	Pro Forma Sewer	2008 Total	Water	Pro Forma Sewer	2009 Total
		Revenues									
		Operating Revenue									
460	521.1	Unmetered (Availability Rates)	$105,206	$105,206	$210,413	$103,102	$103,102	$206,205	$101,040	$101,040	$202,081
460	521.1	Unmetered (Side Yard Rate)	$7,289	$7,289	$14,578	$7,581	$7,581	$15,161	$7,884	$7,884	$15,768
461.1	522.1	Metered: Rates	$140,880	$88,896	$229,776	$150,742	$98,675	$249,416	$161,293	$109,529	$270,822
461.1		Surcharge	$7,920	$0	$7,920	$7,920	$0	$7,920	$7,920	$0	$7,920
		Total Sales	*$261,296*	*$201,392*	*$462,687*	*$269,345*	*$209,358*	*$478,702*	*$278,138*	*$218,453*	*$496,591*
470	532	Forfeited Discounts	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000
474	536	Other Revenues(Hook-on fees)	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Main Replacement Charge	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
		Total Other Revenues	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*
400	400	***Total Operating Revenues***	**$375,496**	**$236,392**	**$611,887**	**$383,545**	**$244,358**	**$627,902**	**$392,338**	**$253,453**	**$645,791**
		To Main Replacement Reserve	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
			$296,296	**$236,392**	**$532,687**	**$304,345**	**$244,358**	**$548,702**	**$313,138**	**$253,453**	**$566,591**
		Expenses									
		Operation & Maintenance									
620	720	Materials & Supplies	$1,324	$2,509	$3,833	$1,367	$2,593	$3,960	$1,413	$2,679	$4,091
615	715	Purchased Power	$10,037	$10,037	$20,074	$10,370	$10,370	$20,740	$10,714	$10,714	$21,429
618	718	Chemicals	$2,537	$2,537	$5,074	$2,621	$2,621	$5,242	$2,708	$2,708	$5,416
658	770	Bad Debt Expense	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000
632	732	Contract Services: Accounting	$2,206	$2,206	$4,412	$2,279	$2,279	$4,558	$2,355	$2,355	$4,710
633	733	Contract Services: Legal	$2,600	$27,300	$29,900	$2,600	$2,600	$5,200	$2,686	$2,686	$5,373
634	734	Contract Services: Management	$7,721	$7,721	$15,441	$7,977	$7,977	$15,954	$8,242	$8,242	$16,484
636	736	Contract services: Other	$44,118	$44,118	$88,235	$45,582	$45,582	$91,165	$47,096	$47,096	$94,192
641	741	Rents	$1,985	$1,985	$3,971	$2,051	$2,051	$4,102	$2,119	$2,119	$4,239
657	757	Insurance: General Liability	$4,136	$4,136	$8,272	$4,273	$4,273	$8,547	$4,415	$4,415	$8,830
667	767	Reg. Comm'n Exp: Other	$83	$5,597	$5,680	$85	$5,783	$5,869	$88	$5,975	$6,064
675	775	Miscellaneous Exp.	$2,426	$2,426	$4,853	$2,507	$2,507	$5,014	$2,590	$2,590	$5,181
401	401	**Total Operation & Maintenance**	**$114,172**	**$136,572**	**$250,744**	**$116,714**	**$114,637**	**$231,351**	**$119,427**	**$117,580**	**$237,007**
403	403	Depreciation	$25,000	$21,000	$46,000	$25,000	$21,000	$46,000	$25,000	$21,000	$46,000
407	407	Amortization (incld rate case exp)	$7,063	$6,107	$13,170	$7,063	$6,107	$13,170	$7,063	$6,107	$13,170
408.1	408.1	Taxes Other than Income	$4,412	$4,412	$8,824	$4,558	$4,558	$9,116	$4,710	$4,710	$9,419
		Utility Operating Income: Water	**$145,649**	**$68,301**	**$213,949**	**$151,009**	**$98,055**	**$249,065**	**$156,938**	**$104,057**	**$260,995**
419	419	Interest Income	$6	$6	$11	$6	$6	$11	$6	$6	$11
427	427	Interest Expense	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000
433	433	Extraordinary Adjustment (Note 1)	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157
		NET INCOME (LOSS)	**$149,760**	**$67,358**	**$217,118**	**$155,120**	**$97,113**	**$252,233**	**$161,049**	**$103,114**	**$264,163**

Note 1: Depreciation of CIAC

Other Payments

Description	Water	Sewer	2007 Total	Water	Sewer	2008 Total	Water	Sewer	2009 Total
For Tower Maintenance Contract	$9,000		$9,000	$9,000		$9,000	$9,000		$9,000
For Sewer Plant Renovation		$75,000	$75,000		$75,000	$75,000		$5,000	$5,000
For Lost Nation Repairs	$0		$0	$0		$0	$0		$0
Long-Term Debt Pymts	$18,000	$18,000	$36,000	$24,000	$24,000	$48,000	$36,000	$36,000	$72,000
Accrued Interest Pymts	$18,000	$18,000	$36,000	$24,000	$24,000	$48,000	$36,000	$36,000	$72,000
Letter Agrement Pymts	$18,000	$18,000	$36,000	$24,000	$24,000	$48,000	$36,000	$36,000	$72,000
Subtotal, Other Pymts	**$63,000**	**$129,000**	**$192,000**	**$81,000**	**$147,000**	**$228,000**	**$117,000**	**$113,000**	**$230,000**
NET INCOME (LOSS)	**$86,760**	**-$61,642**	**$25,118**	**$74,120**	**-$49,887**	**$24,233**	**$44,049**	**-$9,886**	**$34,163**
Retained Earnings Account at Jan. 1			-$1,317,266			-$1,317,266			-$1,317,266
Rate Base at Jan 1			$980,000			$960,400			$941,192
Rate of Return, pro forma (%)			2.56%			2.52%			3.63%
Additional revenue required to earn									
Target Rate of Return: 10.3%			$75,822			$74,688.02			$64,758
Average Rate of Return			0.14%			0.61%			1.12%
Balance, Line Replacement Reserve			$338,833			$433,280			$531,978
Increase in Payables to Associated Companies			$0			$0			$0
Decrease (Increase) in Accounts payable			$25,118			$24,233			$34,163
Remaining Balance: 2003 Accounts Payable			$166,617			$142,384			$108,221
Gain (Loss) added to Retained Earnings			$0			$0			$0

NEW LANDING UTILITY, INC
Rate Case Analysis
NLU Exhibit ISA - 2
Inflation Rate re: Expenses: 3.32%

Acct. Water	Acct. Sewer	Description	Water	Pro Forma Sewer	2010 Total	Water	Pro Forma Sewer	2011 Total	Water	Pro Forma Sewer	2012 Total
		Revenues									
		Operating Revenue									
460	521.1	Unmetered (Availability Rates)	$99,019	$99,019	$198,039	$97,039	$97,039	$194,078	$95,098	$95,098	$190,197
460	521.1	Unmetered (Side Yard Rate)	$8,199	$8,199	$16,399	$8,527	$8,527	$17,054	$8,868	$8,868	$17,737
461.1	522.1	Metered: Rates	$172,584	$121,577	$294,161	$184,665	$134,950	$319,615	$197,591	$149,795	$347,386
461.1		Surcharge	$7,920	$0	$7,920	$7,920	$0	$7,920	$7,920	$0	$7,920
		Total Sales	*$287,723*	*$228,796*	*$516,518*	*$298,151*	*$240,517*	*$538,668*	*$309,478*	*$253,762*	*$563,240*
470	532	Forfeited Discounts	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000	$35,000	$35,000	$70,000
474	536	Other Revenues(Hook-on fees)	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Main Replacement Charge	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
		Total Other Revenues	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*	*$114,200*	*$35,000*	*$149,200*
400	400	***Total Operating Revenues***	**$401,923**	**$263,796**	**$665,718**	**$412,351**	**$275,517**	**$687,868**	**$423,678**	**$288,762**	**$712,440**
		To Main Replacement Reserve	$79,200	$0	$79,200	$79,200	$0	$79,200	$79,200	$0	$79,200
			$322,723	**$263,796**	**$586,518**	**$333,151**	**$275,517**	**$608,668**	**$344,478**	**$288,762**	**$633,240**
		Expenses									
		Operation & Maintenance									
620	720	Materials & Supplies	$1,460	$2,768	$4,227	$1,508	$2,859	$4,368	$1,558	$2,954	$4,513
615	715	Purchased Power	$11,070	$11,070	$22,140	$11,438	$11,438	$22,875	$11,817	$11,817	$23,635
618	718	Chemicals	$2,798	$2,798	$5,596	$2,891	$2,891	$5,782	$2,987	$2,987	$5,974
658	770	Bad Debt Expense	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000	$35,000	$26,000	$61,000
632	732	Contract Services: Accounting	$2,433	$2,433	$4,866	$2,514	$2,514	$5,027	$2,597	$2,597	$5,194
633	733	Contract Services: Legal	$2,776	$2,776	$5,551	$2,868	$2,868	$5,735	$2,963	$2,963	$5,926
634	734	Contract Services: Management	$8,515	$8,515	$17,031	$8,798	$8,798	$17,596	$9,090	$9,090	$18,180
636	736	Contract services: Other	$48,659	$48,659	$97,319	$50,275	$50,275	$100,550	$51,944	$51,944	$103,888
641	741	Rents	$2,190	$2,190	$4,379	$2,262	$2,262	$4,525	$2,337	$2,337	$4,675
657	757	Insurance: General Liability	$4,562	$4,562	$9,124	$4,713	$4,713	$9,427	$4,870	$4,870	$9,739
667	767	Reg. Comm'n Exp: Other	$91	$6,174	$6,265	$94	$6,379	$6,473	$97	$6,590	$6,688
675	775	Miscellaneous Exp.	$2,676	$2,676	$5,353	$2,765	$2,765	$5,530	$2,857	$2,857	$5,714
401	401	**Total Operation & Maintenance**	**$122,230**	**$120,620**	**$242,850**	**$125,126**	**$123,761**	**$248,887**	**$128,118**	**$127,007**	**$255,125**
403	403	Depreciation	$25,000	$21,000	$46,000	$25,000	$21,000	$46,000	$25,000	$21,000	$46,000
407	407	Amortization (incld rate case exp)	$7,063	$6,107	$13,170	$7,063	$6,107	$13,170	$7,063	$6,107	$13,170
408.1	408.1	Taxes Other than Income	$4,866	$4,866	$9,732	$5,027	$5,027	$10,055	$5,194	$5,194	$10,389
		Utility Operating Income: Water	**$163,564**	**$111,203**	**$274,767**	**$170,935**	**$119,621**	**$290,556**	**$179,103**	**$129,453**	**$308,556**
419	419	Interest Income	$6	$6	$11	$6	$6	$11	$6	$6	$11
427	427	Interest Expense	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000	$6,000	$6,000	$12,000
433	433	Extraordinary Adjustment (Note 1)	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157	$10,105	$5,052	$15,157
		NET INCOME (LOSS)	**$167,675**	**$110,260**	**$277,935**	**$175,045**	**$118,679**	**$293,724**	**$183,213**	**$128,511**	**$311,724**
		Note 1: Depreciation of CIAC									
		Other Payments									
		For Tower Maintenance Contract	$9,000		$9,000	$9,000		$9,000	$9,000		$9,000
		For Sewer Plant Maintenance Fund		$5,000	$5,000		$5,000	$5,000		$5,000	$5,000
		For Lost Nation Repairs	$0		$0	$0		$0	$0		$0
		Long-Term-Debt Pymts	$7,267	$7,267	$14,534	$0	$0	$0	$0	$0	$0
		Accrued Interest Pymts	$60,000	$60,000	$120,000	$72,000	$72,000	$144,000	$72,000	$72,000	$144,000
		Letter Agreement Pymts	$36,000	$36,000	$72,000	$10,000	$10,000	$20,000	$0	$0	$0
		Subtotal, Other Pymts	**$112,267**	**$108,267**	**$220,534**	**$91,000**	**$87,000**	**$178,000**	**$81,000**	**$77,000**	**$158,000**
		NET INCOME (LOSS)	**$55,408**	**$1,993**	**$57,401**	**$84,045**	**$31,679**	**$115,724**	**$102,213**	**$51,511**	**$153,724**
		Retained Earnings Account at Jan. 1			-$1,317,266			-$1,317,266			-$1,242,799
		Rate Base at Jan 1			$922,368			$903,921			$885,842
		Rate of Return, pro forma (%)			6.22%			12.80%			17.35%
		Additional revenue required to earn									
		Target Rate of Return: 10.3%			$37,603						
		Average Rate of Return			1.85%			3.22%			4.79%
		Balance, Line Replacement Reserve			$635,117			$742,897			$855,527
		Increase in Payables to Associated Companies			$0			$0			$0
		Decrease (Increase) in Accounts payable			$57,401			$41,257			$0
		Remaining Balance: 2003 Accounts Payable			$34,163			$0			$0
		Gain (Loss) added to Retained Earnings			$0			$74,467			$153,724

NLU Rate Base
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NEW LANDING UTILITY, INC
Fair Value Rate Base Analysis
Values at Deceber 31, 2002

Assumptions: 1980-2000
Cumulative CPI: 189.8
Cumulative Const. Index: 182.7

NLU Exhibit CRB

PLANT ACCOUNTS	*Original Cost*	*Replacement Cost, CPI*	*Replacement Cost, Indexed*	*Replacement Cost, Average*	*Fair Value Rate Base OC: 50% RC: 50%*	*Fair Value Rate Base OC: 45% RC: 55%*	*Fair Value Rate Base OC: 40% RC: 60%*	*Fair Value Rate Base OC: 35% RC: 65%*	*Fair Value Rate Base OC: 30% RC: 70%*
Water Plant									
Intangible Plant									
301 Origanization	$127,726	$242,424	$233,355	$237,890	$182,808	$188,316	$193,824	$199,332	$204,841
Source of Supply									
303 Land	$14,230	$27,009	$25,998	$26,503	$20,387	$20,980	$21,594	$22,208	$22,821
304 Structures & Improvements	$4,578	$8,689	$8,364	$8,527	$6,552	$6,750	$6,947	$7,145	$7,342
305 Collecting & Impounding Reservoirs	$37,354	$70,898	$68,246	$69,572	$53,463	$55,074	$56,685	$58,296	$59,906
307 Wells and Springs	$46,202	$87,691	$84,411	$86,051	$66,127	$68,119	$70,112	$72,104	$74,096
Pumping Plant									
311 Pumping Equipment	$30,547	$57,978	$55,809	$56,894	$43,720	$45,038	$46,355	$47,672	$48,990
Water Treatment									
338 Water Treatment Equipment	$9,494	$18,020	$17,346	$17,683	$13,588	$13,998	$14,407	$14,817	$15,226
Transmission & Distribution Plant									
330 Dist. Reservoirs & Standpipes	$52,435	$99,522	$95,799	$97,660	$75,048	$77,309	$79,570	$81,831	$84,093
331 Transmission & Dsitribution Mains	$735,955	$1,396,843	$1,344,590	$1,370,716	$1,053,336	$1,085,074	$1,116,812	$1,148,550	$1,180,288
333 Services	$125,708	$238,594	$229,669	$234,131	$179,920	$185,341	$190,762	$196,183	$201,604
334 Meters	$19,817	$37,613	$36,206	$36,909	$28,363	$29,218	$30,072	$30,927	$31,782
General Plant									
341 Transportation Equipment	$630	$1,196	$1,151	$1,173	$902	$929	$956	$983	$1,010
342 Stores Equipment	$3,846	$7,300	$7,027	$7,163	$5,505	$5,670	$5,836	$6,002	$6,168
Total, Water Plant	$1,208,522	$2,293,775	$2,207,970	$2,250,872	$1,729,697	$1,781,815	$1,833,932	$1,886,050	$1,938,167
Less depreciation and amortization	($828,715)	($1,193,301)	($1,148,862)	($1,170,982)	($899,848)	($926,962)	($954,075)	($981,188)	($1,008,302)
271 Net, CIAC	($272,393)	($517,002)	($497,662)	($507,332)	($389,862)	($401,609)	($413,356)	($425,103)	($436,850)
Adjusted Total, Water Plant	$307,414	$583,472	$561,645	$572,559	$439,986	$453,244	$466,501	$479,758	$493,015
Sewer Plant									
Intangible Plant									
351 Organization	$5,374	$10,200	$9,818	$10,009	$7,692	$7,923	$8,155	$8,387	$8,619
Collection Plant									
362 Special Collecting Structures	$436,684	$828,826	$797,822	$813,324	$625,004	$643,836	$662,668	$681,500	$700,332
363 Services to Customers	$56,322	$106,899	$102,900	$104,900	$80,611	$83,040	$85,469	$87,898	$90,326
Treatment & Disposal Plant									
354 Structures & Improvements	$335,641	$637,047	$613,216	$625,131	$480,386	$494,861	$509,335	$523,810	$538,284
380 Treatment & Disposal Equipment	$1,336	$2,536	$2,441	$2,488	$1,912	$1,970	$2,027	$2,085	$2,143
Total, Sewer Plant	$835,357	$1,585,508	$1,526,197	$1,555,852	$1,195,605	$1,231,629	$1,267,654	$1,303,679	$1,339,704
Less depreciaion and amortization	($421,351)	($799,724)	($769,806)	($784,765)	($603,059)	($621,229)	($639,400)	($657,571)	($675,742)
271 Net, CIAC	($189,290)	($359,272)	($345,833)	($352,553)	($270,921)	($279,084)	($287,248)	($295,411)	($303,574)
Adjusted Total, Sewer Plant	$224,716	$426,511	$410,556	$418,534	$321,625	$331,316	$341,007	$350,697	$360,388
ADJUSTED TOTAL PLANT	$532,130	$1,009,983	$972,202	$991,092	$761,611	$784,559	$807,507	$830,455	$853,403